The Management Trust

Arbor Pointe
Tigard, Oregon
Account 2020-2021 Offsite Update -- Version 1
January 23, 2020

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Arbor Pointe
Tigard, Oregon
TR Trust Reserves Funding Model Summary

Report Date	January 23, 2020
Account Number	2020-2021 Offsite Update
Version	1
Budget Year Beginning	July 01, 2020
Budget Year Ending	June 30, 2021
Total Units	93

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	0.50%
2020 Beginning Balance	$43,460

Trust Reserves Funding Model Summary of Calculations

Required Month Contribution	$768.25
$8.26 per unit monthly	
Average Net Month Interest Earned	$12.72
Total Month Allocation to Reserves	$780.97
$8.40 per unit monthly	

Disclosures:

- **Physical Analysis -If an on-site reserve study was performed observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this reserve study.**

- **Measurements - Measuring and inventory (+/- 10%) were identified via a combination of onsite physical measurements, previous reserve study and/or drawing take-offs. Drawing sets (if used) were provided by the property manager or Declarant for our use relating only to the reserve study scope of work.**

- **Reliance on Client Data - Data received from property management, association representatives and/or Declarant is deemed reliable by Trust Reserves/ The Management Trust. Such data may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.**

- **Scope - The Reserve Study is a reflection of information provided to the Consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.**

- **Reserve Balance - The actual or projected (estimated) total presented in this reserve study is based upon information provided or collected and was not audited.**

- **Reserve Projects -Information provided or collected for the purpose of this reserve study will be considered reliable and should not be considered a project audit or quality inspection.**

- **Adjustments to Reserve Study - Should components suggested by Consultant be removed from the reserve study or any life cycles or costs other than current bids, engineering construction standards, or current component history be used in this reserve study, the Client accepts full responsibility for the results of the reserve study and is not warranted by Consultant.**

- **Information Provided - Quantity, design and material information included in this report was provided in part by the Association and is subject to course of construction changes.**

- **Limitations on Inventory -The following items, but not limited to, are not included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, bearing and shear walls, perimeter walls, beams, columns and girders, sub floors, unfinished floors, concrete stair surfaces, windows, exterior doors, window and door frames, plumbing system, flues (chimneys), air delivery or return systems, ducts, chutes, conduits, pipes, plumbing, sanitary sewage and storm drains, wire, telephone, cable, central television system, sprinkler systems and internet lines.**

- **Warranty or Guaranty - This reserve study and its recommendations should not be construed in any way to constitute a warranty or guaranty regarding the current or future performance of the**

components. Components will be replaced as required, not necessarily in their expected replacement year.

Annual Updates - Often times there can be a significant expenditure in those years that exceeds the life of the reserve study. Hence, annual updates should be performed to allow adjustments in the reserve contribution each year if required.

Ongoing Maintenance - The reserve study component life cycles assumes that assets are inspected and maintained on an ongoing scheduled basis funded with operating budget funds and/or reserve funds set aside for this work. For example, an asphalt overlay surface should have a seal coating applied every 4 to 5 years in order to achieve the estimated expected life cycle of 30 years. Failure to perform maintenance per the recommended schedule may adversely impact the condition of said assets and have undesired effects on reserve funding.

Tax Consequences - The tax consequences are not considered in this reserve study due to the uncertainty of all factors affecting net taxable income and the election of the tax form to be filed.

We recommend a building envelope (water intrusion) inspection for the Building every two years and a roofing inspection every six years (not funded in the reserve).

- **House Bill 955 (HB 955), in Oregon since 1/1/2006, specifically calls for the provision of a reserve study, reserve study update, maintenance plan and reserve summary. ORS 94.595 states that: "The board of directors of the association annually shall conduct a reserve study, or review and update an existing reserve study to determine the reserve study requirements". In addition, ORS 94.595 (3)(B)(c) and ORS 100.175 (3)(C)(c) further require that a Reserve Study Update be done each year.**

- **House Bill 2665 (Chapter 409, Oregon Laws 2007) revises portions on SB 955 by removing the requirement for a maintenance plan from the reserve study and makes it a separate requirement. Also, after 9/27/2007 HB 2665 no longer requires that owners be provided a reserve summary of the reserve study or any revisions thereto.**

- **Further House Bill 2665 makes windows and unit access doors, except for glazing and screening, general common elements, unless Declaration provides otherwise, (Sec 5).**

Preparation of a Reserve Study:

Data is collected from several sources to prepare a reserve study and a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The

following sources, but not limited to, and methods were utilized in the preparation of this reserve study document:

- **Property Management Personnel Interviews**
- **As built Plans and Specifications Document Reviews**
- **On-site Observations - If Applicable**
- **Discussions with Engineering or Architectural Consultants**
- **RS Means Facilities Maintenance & Repair Cost Data, 16th Edition (2009) printed manual**
- **Interviewing General Contractor Consultants**

A tabular list of commonly owned items has been developed and given a current condition grade, expected useful life, and remaining useful life. A portion of that data will determine in what year it is estimated the component should be replaced.

The percent funded ratings recognized by industry standards is:

0-30% - poor

31-70% - fair

71-100% - good

Arbor Pointe
TR Trust Reserves Funding Model Projection

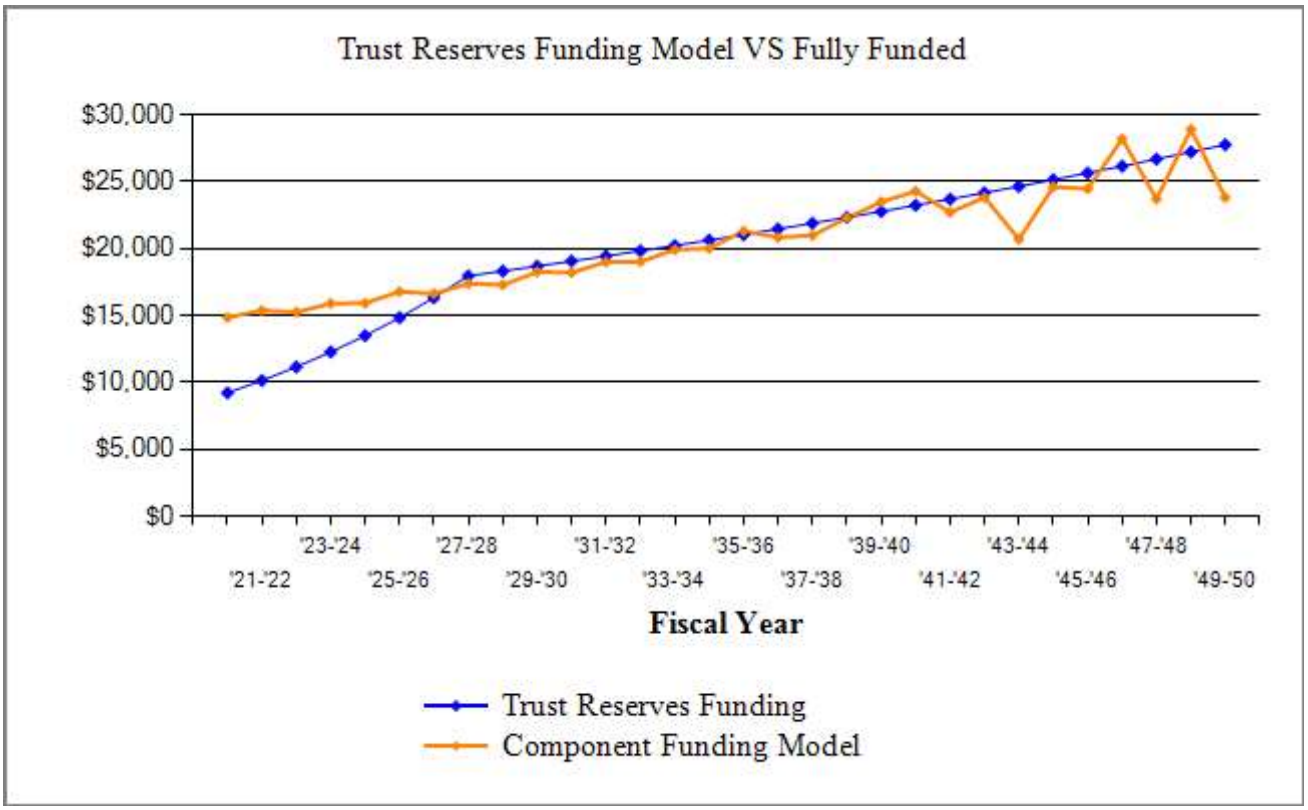
Beginning Balance: $43,460

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
20-21	131,413	9,219	153	18,000	34,832	59,672	58%
21-22	135,355	10,141	178	4,726	40,425	67,876	60%
22-23	139,416	11,155	188	9,018	42,750	72,245	59%
23-24	143,598	12,270	248		55,268	86,382	64%
24-25	147,906	13,498	266	9,567	59,464	91,448	65%
25-26	152,344	14,847	301	7,477	67,135	99,188	68%
26-27	156,914	16,332	270	22,195	61,541	92,381	67%
27-28	161,621	17,965	332	4,919	74,919	103,557	72%
28-29	166,470	18,325	365	12,034	81,574	108,144	75%
29-30	171,464	18,691	460		100,725	125,681	80%
30-31	176,608	19,065	445	22,175	98,061	121,332	81%
31-32	181,906	19,446	512	6,351	111,668	133,592	84%
32-33	187,363	19,835	553	12,119	119,937	140,735	85%
33-34	192,984	20,232	615	8,077	132,707	152,723	87%
34-35	198,774	20,636	657	12,857	141,143	160,631	88%
35-36	204,737	21,049	593	34,197	128,588	147,292	87%
36-37	210,879	21,470	589	22,608	128,039	146,002	88%
37-38	217,206	21,900	701		150,640	168,487	89%
38-39	223,722	22,337	674	28,175	145,477	163,211	89%
39-40	230,433	22,784	791		169,052	187,359	90%
40-41	237,346	23,240	335	114,697	77,930	94,670	82%
41-42	244,467	23,705	412	8,536	93,511	109,143	86%
42-43	251,801	24,179	453	16,287	101,856	114,867	89%
43-44	259,355	24,662	538	7,894	119,161	130,916	91%
44-45	267,135	25,156	569	19,312	125,574	136,310	92%
45-46	275,149	25,659	631	13,505	138,359	148,486	93%
46-47	283,404	26,172	312	90,296	74,548	82,639	90%
47-48	291,906	26,695	385	12,217	89,411	95,918	93%
48-49	300,663	27,229	424	19,447	97,617	102,850	95%
49-50	309,683	27,774	565		125,955	130,744	96%

Arbor Pointe
TR Distribution by Percentage of Ideally Funded

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
General								
Bark Dust	0	380	325	86%	54	1	380	0
Bollards	5	337	200	59%	48	1		249
Brick Walls	7	500	296	59%	71	1		368
Concrete Maintenance	0	1,500	1,285	86%	212	4	1,500	0
Drip Irrigation System	0	1,000	856	86%	141	2	1,000	0
Fence - 4' Vinyl Chain Link	20	14,606	8,660	59%	2,062	34		10,756
Fence - 5' Vinyl Chain Link	20	3,182	1,887	59%	449	7		2,343
Irrigation Controllers	5	750	445	59%	106	2		552
Landscape Renovation	0	3,000	2,569	86%	424	7	3,000	0
Mailboxes	15	4,725	2,801	59%	667	11		3,480
Monument Maintenance	0	2,000	1,713	86%	282	5	2,000	0
Retaining Wall Maintenance	5	1,125	667	59%	159	3		828
Street Lights	18	3,659	2,169	59%	517	9		2,695
Tree Work	6	786	466	59%	111	2		579
General - Total		$37,550	$24,340	65%	$5,301	$88	$7,880	$21,849
Private Streets								
Asphalt Overlay	26	12,208	7,238	59%	1,724	29		8,990
Asphalt Sealcoat & Repairs	1	3,671	2,176	59%	518	9		2,703
Concrete Maintenance	0	1,500	1,285	86%	212	4	1,500	0
Signage	0	500	428	86%	71	1	500	0
Underground Lines	15	1,750	1,038	59%	247	4		1,289
Private Streets - Total		$19,629	$12,165	62%	$2,771	$46	$2,000	$12,982
Classic Homes								
Bark Dust	0	7,050	6,038	86%	995	16	7,050	0
Classic Homes - Total		$7,050	$6,038	86%	$995	$16	$7,050	
Cascade Homes								
Bark Dust	0	225	193	86%	32	1	225	0
Cascade Homes - Total		$225	$193	86%	$32	$1	$225	
Cottage Homes								
Bark Dust	0	845	724	86%	119	2	845	0
Cottage Homes - Total		$845	$724	86%	$119	$2	$845	
Grand - Total		$65,299	$43,460		$9,219	$153	$18,000	$34,832

Arbor Pointe
TR Trust Reserves Funding Model VS Fully Funded



The Trust Reserves Funding Model is based on the cashflow annual assessment, parameters, and reserve fund balance but **with our own adjustments**. Because it is calculated using the cashflow annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

Arbor Pointe
TR Category Detail Index

Total Funded Assets	22
Total Unfunded Assets	0
Total Assets	22

Asphalt Overlay - 2046

		20,856 Square Feet	@ $1.60
Asset ID	1150	Asset Cost	$33,369.60
		Percent Replacement	100%
	Private Streets	Future Cost	$71,964.59
Placed in Service	January 2006	Assigned Reserves	$1,723.59
Useful Life	40		
Adjustment	1	Monthly Assessment	$1,723.59
Replacement Year	46-47	Interest Contribution	$2.38
Remaining Life	26	Reserve Allocation	$1,725.97

Remarks:

This item is the 1 1/2 inch to 2 inch asphalt overlay which inlcudes grinding of edges and resetting of storm drains and valve covers as needed.

Regular sealcoating will help prolong this component to exceed thirty (30) years.

Asphalt Sealcoat & Repairs - 2021

		20,856 Square Feet	@ $0.22
Asset ID	1151	Asset Cost	$4,588.32
		Percent Replacement	100%
	Private Streets	Future Cost	$4,725.97
Placed in Service	September 2016	Assigned Reserves	$518.23
Useful Life	5		
Replacement Year	21-22	Monthly Assessment	$518.23
Remaining Life	1	Interest Contribution	$0.71
		Reserve Allocation	$518.94

Remarks:

This item is the seal coating (slurry seal) of the asphalt surface and includes any re-striping, crack repair, or alligatoring sealing as needed.

Bark Dust - 2020

		1 Event	@ $380.00
Asset ID	1138	Asset Cost	$380.00
		Percent Replacement	100%
	General	Future Cost	$380.00
Placed in Service	June 2018	Assigned Reserves	$53.65
Useful Life	2		
Replacement Year	20-21	Monthly Assessment	$53.65
Remaining Life	0	Interest Contribution	$0.07
		Reserve Allocation	$53.72

Remarks:

Refresh and blow in two (2) inch layer of bark dust onto all planting beds every two (2) years, or as needed.

Bark refreshed in 2018 by Showplace Landscape Services.

Bark Dust - 2020

		1 Event	@ $7,050.00
Asset ID	1136	Asset Cost	$7,050.00
		Percent Replacement	100%
	Classic Homes	Future Cost	$7,050.00
Placed in Service	June 2018	Assigned Reserves	$995.33
Useful Life	2		
Replacement Year	20-21	Monthly Assessment	$995.33
Remaining Life	0	Interest Contribution	$1.37
		Reserve Allocation	$996.70

Remarks:

Refresh and blow in two (2) inch layer of bark dust onto all planting beds every two (2) years, or as needed.

Bark refreshed in 2018 by Showplace Landscape Services.

Bark Dust - 2020

		1 Event	@ $225.00
Asset ID	1135	Asset Cost	$225.00
		Percent Replacement	100%
	Cascade Homes	Future Cost	$225.00
Placed in Service	June 2018	Assigned Reserves	$31.77
Useful Life	2		
Replacement Year	20-21	Monthly Assessment	$31.77
Remaining Life	0	Interest Contribution	$0.04
		Reserve Allocation	$31.81

Remarks:

Refresh and blow in two (2) inch layer of bark dust onto all planting beds every two (2) years, or as needed.

Bark refreshed in 2018 by Showplace Landscape Services.

Bark Dust - 2020

		1 Event	@ $845.00
Asset ID	1137	Asset Cost	$845.00
		Percent Replacement	100%
	Cottage Homes	Future Cost	$845.00
Placed in Service	June 2018	Assigned Reserves	$119.30
Useful Life	2		
Replacement Year	20-21	Monthly Assessment	$119.30
Remaining Life	0	Interest Contribution	$0.16
		Reserve Allocation	$119.46

Remarks:

Refresh and blow in two (2) inch layer of bark dust onto all planting beds every two (2) years, or as needed.

Bark refreshed in 2018 by Showplace Landscape Services.

Bollards - 2025

		2 Each	@ $225.00
Asset ID	1157	Asset Cost	$450.00
		Percent Replacement	100%
	General	Future Cost	$521.67
Placed in Service	January 2006	Assigned Reserves	$47.65
Useful Life	20		
Replacement Year	25-26	Monthly Assessment	$47.65
Remaining Life	5	Interest Contribution	$0.07
		Reserve Allocation	$47.71

Remarks:

Replace the bollards within the community every twenty (20) years, or as needed.

Brick Walls - 2027

		1 Allowance	@ $4,000.00
Asset ID	1139	Asset Cost	$4,000.00
		Percent Replacement	100%
	General	Future Cost	$4,919.50
Placed in Service	March 2020	Assigned Reserves	$70.59
Useful Life	8		
Replacement Year	27-28	Monthly Assessment	$70.59
Remaining Life	7	Interest Contribution	$0.10
		Reserve Allocation	$70.69

Remarks:

Masonry has an estimated life of more than thirty (30) years. This item is an allowance for any ongoing maintenance that is needed to the brick walls throughout the association. Maintenance would include pressure washing, brick repointing, sealcoating, and replacing broken portions.

This study assumes that the brick will be pressure washed and sealed in the spring of 2020.

Concrete Maintenance - 2020

		1 Allowance	@ $1,500.00
Asset ID	1141	Asset Cost	$1,500.00
		Percent Replacement	100%
	General	Future Cost	$1,500.00
Placed in Service	January 2006	Assigned Reserves	$211.77
Useful Life	10		
Replacement Year	20-21	Monthly Assessment	$211.77
Remaining Life	0	Interest Contribution	$0.29
		Reserve Allocation	$212.06

Remarks:

This item is an allowance to repair cracks and breaks that can occur as the ground underneath the cement settles over the years. Inspect sidewalks and staircases for tripping hazards. Grind down and replace selected sections as needed.

Concrete Maintenance - 2020

		1 Allowance	@ $1,500.00
Asset ID	1155	Asset Cost	$1,500.00
		Percent Replacement	100%
	Private Streets	Future Cost	$1,500.00
Placed in Service	January 2006	Assigned Reserves	$211.77
Useful Life	10		
Replacement Year	20-21	Monthly Assessment	$211.77
Remaining Life	0	Interest Contribution	$0.29
		Reserve Allocation	$212.06

Remarks:

This item is an allowance to repair cracks and breaks that can occur as the ground underneath the cement settles over the years. Inspect sidewalks and staircases for tripping hazards. Grind down and replace selected sections as needed.

Drip Irrigation System - 2020

		1 Allowance	@ $1,000.00
Asset ID	1142	Asset Cost	$1,000.00
		Percent Replacement	100%
	General	Future Cost	$1,000.00
Placed in Service	January 2006	Assigned Reserves	$141.18
Useful Life	8		
Replacement Year	20-21	Monthly Assessment	$141.18
Remaining Life	0	Interest Contribution	$0.19
		Reserve Allocation	$141.38

Remarks:

Filters should be checked and flushed on a regular basis along with inspecting the hoses periodically for leaks. Expect replacement of the system every eight (8) years, or as needed.

Fence - 4' Vinyl Chain Link - 2040

		1,420 LF	@ $24.00
Asset ID	1143	Asset Cost	$34,080.00
		Percent Replacement	100%
	General	Future Cost	$61,552.27
Placed in Service	January 2006	Assigned Reserves	$2,062.05
Useful Life	35		
Replacement Year	40-41	Monthly Assessment	$2,062.05
Remaining Life	20	Interest Contribution	$2.84
		Reserve Allocation	$2,064.89

Remarks:

This item is for the replacement of the 4' vinyl chain link fence in the common area. Expect replacement every thirty-five (35) years, or as needed.

Fence - 5' Vinyl Chain Link - 2040

		275 LF	@ $27.00
Asset ID	1144	Asset Cost	$7,425.00
		Percent Replacement	100%
	General	Future Cost	$13,410.37
Placed in Service	January 2006	Assigned Reserves	$449.26
Useful Life	35		
Replacement Year	40-41	Monthly Assessment	$449.26
Remaining Life	20	Interest Contribution	$0.62
		Reserve Allocation	$449.88

Remarks:

This item is for the replacement of the 5' vinyl clad chain link fence in the common area. Expect replacement every thirty-five (35) years, or as needed.

Irrigation Controllers - 2025

		1 Allowance	@ $1,500.00
Asset ID	1145	Asset Cost	$1,500.00
		Percent Replacement	100%
	General	Future Cost	$1,738.91
Placed in Service	May 2016	Assigned Reserves	$105.89
Useful Life	10		
Replacement Year	25-26	Monthly Assessment	$105.89
Remaining Life	5	Interest Contribution	$0.15
		Reserve Allocation	$106.03

Remarks:

Check for valve blockages and controller integrity. Irrigation controllers fail sporadically and will require ongoing replacement. This line item is an allowance for these necessary sporadic replacement.

Landscape Renovation - 2020

		1 Allowance	@ $3,000.00
Asset ID	1156	Asset Cost	$3,000.00
		Percent Replacement	100%
	General	Future Cost	$3,000.00
Placed in Service	September 2015	Assigned Reserves	$423.54
Useful Life	5		
Replacement Year	20-21	Monthly Assessment	$423.54
Remaining Life	0	Interest Contribution	$0.58
		Reserve Allocation	$424.13

Remarks:

This is a provision for a major landscape renovation, which would include major plant replacements every five (5) years, or as needed.

Mailboxes - 2035

		7 Each	@ $1,350.00
Asset ID	1146	Asset Cost	$9,450.00
		Percent Replacement	100%
	General	Future Cost	$14,722.79
Placed in Service	January 2006	Assigned Reserves	$667.08
Useful Life	30		
Replacement Year	35-36	Monthly Assessment	$667.08
Remaining Life	15	Interest Contribution	$0.92
		Reserve Allocation	$668.00

Remarks:

This item is for the replacement of the cluster style mailboxes in the common area. Ongoing maintenance such as replace faulty hinges or locks, remove graffiti as it occurs, repair vandalism will be needed over time.

Mailboxes are in need of powerwashing to remove built up moss and dirt.

Monument Maintenance - 2020

		1 Allowance	@ $2,000.00
Asset ID	1147	Asset Cost	$2,000.00
		Percent Replacement	100%
	General	Future Cost	$2,000.00
Placed in Service	January 2006	Assigned Reserves	$282.36
Useful Life	10		
Replacement Year	20-21	Monthly Assessment	$282.36
Remaining Life	0	Interest Contribution	$0.39
		Reserve Allocation	$282.75

Remarks:

Stonework and masonry have an estimated life of more than thirty (30) years. However, it will need maintenance such as sealcoating from time to time. This item is an allowance for repair or maintenance to the monument and statue needed. Replace monument lettering as needed.

Retaining Wall Maintenance - 2025

		1 Allowance	@ $1,500.00
Asset ID	1148	Asset Cost	$1,500.00
		Percent Replacement	100%
	General	Future Cost	$1,738.91
Placed in Service	January 2006	Assigned Reserves	$158.83
Useful Life	20		
Replacement Year	25-26	Monthly Assessment	$158.83
Remaining Life	5	Interest Contribution	$0.22
		Reserve Allocation	$159.05

Remarks:

Boulders have an estimated life of more than thirty (30) years. However, walls will need maintenance and inspections every twenty (20) years. Maintenance would include replacement of broken areas and fallen boulders as needed.

Signage - 2020

		1 Allowance	@ $500.00
Asset ID	1152	Asset Cost	$500.00
		Percent Replacement	100%
	Private Streets	Future Cost	$500.00
Placed in Service	January 2006	Assigned Reserves	$70.59
Useful Life	15		
Replacement Year	20-21	Monthly Assessment	$70.59
Remaining Life	0	Interest Contribution	$0.10
		Reserve Allocation	$70.69

Remarks:

Replacement of any signage within the association expected every fifteen (15) years, or as needed.

Street Lights - 2038

		7 Each	@ $1,150.00
Asset ID	1153	Asset Cost	$8,050.00
		Percent Replacement	100%
	General	Future Cost	$13,704.58
Placed in Service	January 2006	Assigned Reserves	$516.59
Useful Life	30		
Adjustment	3	Monthly Assessment	$516.59
Replacement Year	38-39	Interest Contribution	$0.71
Remaining Life	18	Reserve Allocation	$517.31

Remarks:

This item is for the onoing maintenance and/or replacement of the street lights that do not have a PGE tag.

Tree Work - 2026

		1 Allowance	@ $5,500.00
Asset ID	1149	Asset Cost	$5,500.00
		Percent Replacement	100%
	General	Future Cost	$6,567.29
Placed in Service	July 2019	Assigned Reserves	$110.93
Useful Life	7		
Replacement Year	26-27	Monthly Assessment	$110.93
Remaining Life	6	Interest Contribution	$0.15
		Reserve Allocation	$111.08

Remarks:

Expect major pruning, maintenance, or removal of some trees by a professional arborist every seven (7) years, or as needed.

Underground Lines - 2035

		1 Allowance	@ $3,500.00
Asset ID	1154	Asset Cost	$3,500.00
		Percent Replacement	100%
	Private Streets	Future Cost	$5,452.89
Placed in Service	January 2006	Assigned Reserves	$247.07
Useful Life	30		
Replacement Year	35-36	Monthly Assessment	$247.07
Remaining Life	15	Interest Contribution	$0.34
		Reserve Allocation	$247.41

Remarks:

This item is an allowance for any rework required on the underground utilities in the private streets such as, but not limited to, sewer lines, drainage lines, and bio swales.

Detail Report Summary

Grand Total

Assigned Reserves	$52,679.00
Monthly Contribution	$768.25
Monthly Interest	$16.57
Monthly Allocation	$784.82

Arbor Pointe
TR Annual Expenditure Detail

Description	Expenditures
Replacement Year 20-21	
Bark Dust	380
Bark Dust	7,050
Bark Dust	225
Bark Dust	845
Concrete Maintenance	1,500
Concrete Maintenance	1,500
Drip Irrigation System	1,000
Landscape Renovation	3,000
Monument Maintenance	2,000
Signage	500
Total for 2020 - 2021	**$18,000**
Replacement Year 21-22	
Asphalt Sealcoat & Repairs	4,726
Total for 2021 - 2022	**$4,726**
Replacement Year 22-23	
Bark Dust	403
Bark Dust	7,479
Bark Dust	239
Bark Dust	896
Total for 2022 - 2023	**$9,018**
No Replacement in 23-24	
Replacement Year 24-25	
Bark Dust	428
Bark Dust	7,935
Bark Dust	253
Bark Dust	951
Total for 2024 - 2025	**$9,567**
Replacement Year 25-26	
Bollards	522
Irrigation Controllers	1,739
Landscape Renovation	3,478
Retaining Wall Maintenance	1,739
Total for 2025 - 2026	**$7,477**

Arbor Pointe
TR Annual Expenditure Detail

Description	Expenditures
Replacement Year 26-27	
Asphalt Sealcoat & Repairs	5,479
Bark Dust	454
Bark Dust	8,418
Bark Dust	269
Bark Dust	1,009
Tree Work	6,567
Total for 2026 - 2027	**$22,195**
Replacement Year 27-28	
Brick Walls	4,919
Total for 2027 - 2028	**$4,919**
Replacement Year 28-29	
Bark Dust	481
Bark Dust	8,931
Bark Dust	285
Bark Dust	1,070
Drip Irrigation System	1,267
Total for 2028 - 2029	**$12,034**
No Replacement in 29-30	
Replacement Year 30-31	
Bark Dust	511
Bark Dust	9,475
Bark Dust	302
Bark Dust	1,136
Concrete Maintenance	2,016
Concrete Maintenance	2,016
Landscape Renovation	4,032
Monument Maintenance	2,688
Total for 2030 - 2031	**$22,175**
Replacement Year 31-32	
Asphalt Sealcoat & Repairs	6,351
Total for 2031 - 2032	**$6,351**

Arbor Pointe
TR Annual Expenditure Detail

Description	Expenditures
Replacement Year 32-33	
Bark Dust	542
Bark Dust	10,052
Bark Dust	321
Bark Dust	1,205
Total for 2032 - 2033	**$12,119**
Replacement Year 33-34	
Tree Work	8,077
Total for 2033 - 2034	**$8,077**
Replacement Year 34-35	
Bark Dust	575
Bark Dust	10,664
Bark Dust	340
Bark Dust	1,278
Total for 2034 - 2035	**$12,857**
Replacement Year 35-36	
Brick Walls	6,232
Irrigation Controllers	2,337
Landscape Renovation	4,674
Mailboxes	14,723
Signage	779
Underground Lines	5,453
Total for 2035 - 2036	**$34,197**
Replacement Year 36-37	
Asphalt Sealcoat & Repairs	7,363
Bark Dust	610
Bark Dust	11,313
Bark Dust	361
Bark Dust	1,356
Drip Irrigation System	1,605
Total for 2036 - 2037	**$22,608**
No Replacement in 37-38	
Replacement Year 38-39	
Bark Dust	647

Description	Expenditures
Replacement Year 38-39 continued...	
Bark Dust	12,002
Bark Dust	383
Bark Dust	1,439
Street Lights	13,705
Total for 2038 - 2039	**$28,175**
No Replacement in 39-40	
Replacement Year 40-41	
Bark Dust	686
Bark Dust	12,733
Bark Dust	406
Bark Dust	1,526
Concrete Maintenance	2,709
Concrete Maintenance	2,709
Fence - 4' Vinyl Chain Link	61,552
Fence - 5' Vinyl Chain Link	13,410
Landscape Renovation	5,418
Monument Maintenance	3,612
Tree Work	9,934
Total for 2040 - 2041	**$114,697**
Replacement Year 41-42	
Asphalt Sealcoat & Repairs	8,536
Total for 2041 - 2042	**$8,536**
Replacement Year 42-43	
Bark Dust	728
Bark Dust	13,509
Bark Dust	431
Bark Dust	1,619
Total for 2042 - 2043	**$16,287**
Replacement Year 43-44	
Brick Walls	7,894
Total for 2043 - 2044	**$7,894**

Arbor Pointe
TR Annual Expenditure Detail

Description	Expenditures
Replacement Year 44-45	
Bark Dust	772
Bark Dust	14,331
Bark Dust	457
Bark Dust	1,718
Drip Irrigation System	2,033
Total for 2044 - 2045	**$19,312**
Replacement Year 45-46	
Bollards	942
Irrigation Controllers	3,141
Landscape Renovation	6,281
Retaining Wall Maintenance	3,141
Total for 2045 - 2046	**$13,505**
Replacement Year 46-47	
Asphalt Overlay	71,965
Bark Dust	820
Bark Dust	15,204
Bark Dust	485
Bark Dust	1,822
Total for 2046 - 2047	**$90,296**
Replacement Year 47-48	
Tree Work	12,217
Total for 2047 - 2048	**$12,217**
Replacement Year 48-49	
Bark Dust	869
Bark Dust	16,130
Bark Dust	515
Bark Dust	1,933
Total for 2048 - 2049	**$19,447**

Arbor Pointe
TR Spread Sheet

Description	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30
Asphalt Overlay										
Asphalt Sealcoat & Repairs		4,726					5,479			
Bark Dust	380		403		428		454		481	
Bark Dust	7,050		7,479		7,935		8,418		8,931	
Bark Dust	225		239		253		269		285	
Bark Dust	845		896		951		1,009		1,070	
Bollards						522				
Brick Walls								4,919		
Concrete Maintenance	1,500									
Concrete Maintenance	1,500									
Drip Irrigation System	1,000								1,267	
Fence - 4' Vinyl Chain Link										
Fence - 5' Vinyl Chain Link										
Irrigation Controllers						1,739				
Landscape Renovation	3,000					3,478				
Mailboxes										
Monument Maintenance	2,000									
Retaining Wall Maintenance						1,739				
Signage	500									
Street Lights										
Tree Work							6,567			
Underground Lines										
Year Total:	**18,000**	**4,726**	**9,018**		**9,567**	**7,477**	**22,195**	**4,919**	**12,034**	

Arbor Pointe
TR Spread Sheet

Description	30-31	31-32	32-33	33-34	34-35	35-36	36-37	37-38	38-39	39-40
Asphalt Overlay										
Asphalt Sealcoat & Repairs		6,351					7,363			
Bark Dust	511		542		575		610		647	
Bark Dust	9,475		10,052		10,664		11,313		12,002	
Bark Dust	302		321		340		361		383	
Bark Dust	1,136		1,205		1,278		1,356		1,439	
Bollards										
Brick Walls						6,232				
Concrete Maintenance	2,016									
Concrete Maintenance	2,016									
Drip Irrigation System							1,605			
Fence - 4' Vinyl Chain Link										
Fence - 5' Vinyl Chain Link										
Irrigation Controllers						2,337				
Landscape Renovation	4,032					4,674				
Mailboxes						14,723				
Monument Maintenance	2,688									
Retaining Wall Maintenance										
Signage						779				
Street Lights									13,705	
Tree Work				8,077						
Underground Lines						5,453				
Year Total:	**22,175**	**6,351**	**12,119**	**8,077**	**12,857**	**34,197**	**22,608**		**28,175**	

Arbor Pointe
TR Spread Sheet

Description	40-41	41-42	42-43	43-44	44-45	45-46	46-47	47-48	48-49	49-50
Asphalt Overlay							71,965			
Asphalt Sealcoat & Repairs		8,536								
Bark Dust	686		728		772		820		869	
Bark Dust	12,733		13,509		14,331		15,204		16,130	
Bark Dust	406		431		457		485		515	
Bark Dust	1,526		1,619		1,718		1,822		1,933	
Bollards						942				
Brick Walls				7,894						
Concrete Maintenance	2,709									
Concrete Maintenance	2,709									
Drip Irrigation System					2,033					
Fence - 4' Vinyl Chain Link	61,552									
Fence - 5' Vinyl Chain Link	13,410									
Irrigation Controllers						3,141				
Landscape Renovation	5,418					6,281				
Mailboxes										
Monument Maintenance	3,612									
Retaining Wall Maintenance						3,141				
Signage										
Street Lights										
Tree Work	9,934							12,217		
Underground Lines										
Year Total:	**114,697**	**8,536**	**16,287**	**7,894**	**19,312**	**13,505**	**90,296**	**12,217**	**19,447**	

Arbor Pointe
Tigard, Oregon
TR Threshold Funding Model Summary

Report Date	January 23, 2020
Account Number	2020-2021 Offsite Update
Version	1
Budget Year Beginning	July 01, 2020
Budget Year Ending	June 30, 2021
Total Units	93

Report Parameters

Inflation	3.00%
Annual Assessment Increase	3.00%
Interest Rate on Reserve Deposit	0.50%
2020 Beginning Balance	$43,460

Threshold Funding Model Summary of Calculations

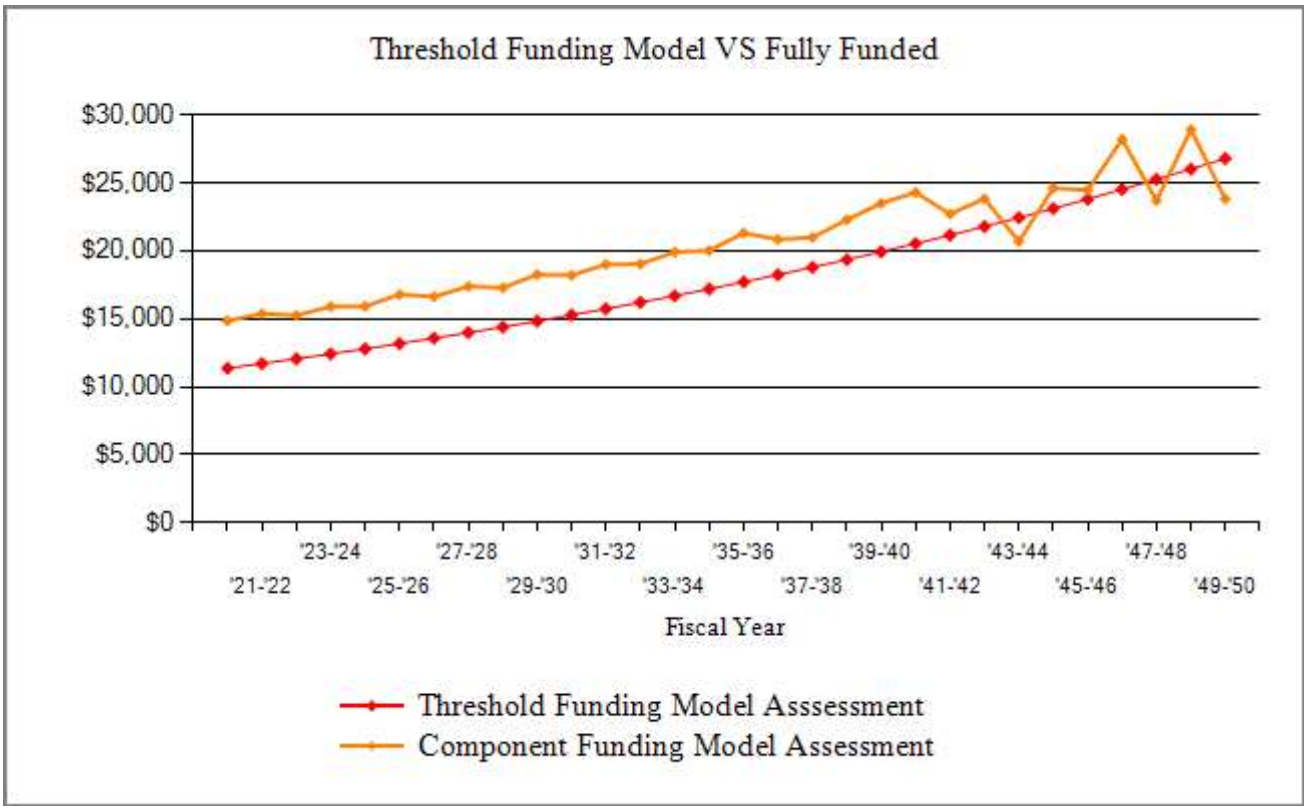
Required Month Contribution	$947.57
$10.19 per unit monthly	
Average Net Month Interest Earned	$13.20
Total Month Allocation to Reserves	$960.78
$10.33 per unit monthly	

Arbor Pointe
TR Threshold Funding Model Projection

Beginning Balance: $43,460

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
20-21	131,413	11,371	158	18,000	36,989	59,672	62%
21-22	135,355	11,712	193	4,726	44,169	67,876	65%
22-23	139,416	12,063	209	9,018	47,423	72,245	66%
23-24	143,598	12,425	271		60,120	86,382	70%
24-25	147,906	12,798	288	9,567	63,639	91,448	70%
25-26	152,344	13,182	317	7,477	69,661	99,188	70%
26-27	156,914	13,577	275	22,195	61,318	92,381	66%
27-28	161,621	13,985	321	4,919	70,704	103,557	68%
28-29	166,470	14,404	333	12,034	73,407	108,144	68%
29-30	171,464	14,836	408		88,651	125,681	71%
30-31	176,608	15,282	375	22,175	82,133	121,332	68%
31-32	181,906	15,740	422	6,351	91,944	133,592	69%
32-33	187,363	16,212	444	12,119	96,481	140,735	69%
33-34	192,984	16,699	488	8,077	105,591	152,723	69%
34-35	198,774	17,200	511	12,857	110,445	160,631	69%
35-36	204,737	17,715	430	34,197	94,393	147,292	64%
36-37	210,879	18,247	409	22,608	90,442	146,002	62%
37-38	217,206	18,794	504		109,741	168,487	65%
38-39	223,722	19,358	461	28,175	101,385	163,211	62%
39-40	230,433	19,939	562		121,886	187,359	65%
40-41	237,346	20,537	92	114,697	27,818	94,670	29%
41-42	244,467	21,153	154	8,536	40,589	109,143	37%
42-43	251,801	21,788	181	16,287	46,271	114,867	40%
43-44	259,355	22,441	253	7,894	61,071	130,916	47%
44-45	267,135	23,115	272	19,312	65,147	136,310	48%
45-46	275,149	23,808	323	13,505	75,773	148,486	51%
46-47	283,404	24,522		90,296	10,000	82,639	12%
47-48	291,906	25,258	57	12,217	23,098	95,918	24%
48-49	300,663	26,016	89	19,447	29,756	102,850	29%
49-50	309,683	26,796	222		56,774	130,744	43%

Arbor Pointe
TR Threshold Funding Model VS Fully Funded Chart



The **Threshold Funding Model** calculates the minimum reserve assessments, with the restriction that the reserve balance is not allowed to go below $0 or other predetermined threshold, during the period of time examined. All funds for planned reserve expenditures will be available on the first day of each fiscal year. The **Threshold Funding Model** allows the client to choose the level of conservative funding they desire by choosing the threshold dollar amount.

Arbor Pointe
Tigard, Oregon
TR Component Funding Model Summary

Report Date	January 23, 2020
Account Number	2020-2021 Offsite Update
Version	1
Budget Year Beginning	July 01, 2020
Budget Year Ending	June 30, 2021
Total Units	93

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	0.50%
2020 Beginning Balance	$43,460

Component Funding Model Summary of Calculations

Required Month Contribution	$1,238.10
$13.31 per unit monthly	
Average Net Month Interest Earned	$13.99
Total Month Allocation to Reserves	$1,252.09
$13.46 per unit monthly	

Arbor Pointe
TR Component Funding Model Projection

Beginning Balance: $43,460

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
20-21	131,413	14,857	168	18,000	40,485	59,672	68%
21-22	135,355	15,382	221	4,726	51,362	67,876	76%
22-23	139,416	15,255	254	9,018	57,853	72,245	80%
23-24	143,598	15,906	333		74,093	86,382	86%
24-25	147,906	15,924	367	9,567	80,816	91,448	88%
25-26	152,344	16,790	413	7,477	90,542	99,188	91%
26-27	156,914	16,638	388	22,195	85,372	92,381	92%
27-28	161,621	17,386	450	4,919	98,289	103,557	95%
28-29	166,470	17,293	479	12,034	104,026	108,144	96%
29-30	171,464	18,255	571		122,852	125,681	98%
30-31	176,608	18,210	554	22,175	119,442	121,332	98%
31-32	181,906	19,003	618	6,351	132,712	133,592	99%
32-33	187,363	19,033	656	12,119	140,282	140,735	100%
33-34	192,984	19,921	717	8,077	152,842	152,723	100%
34-35	198,774	20,025	756	12,857	160,765	160,631	100%
35-36	204,737	21,310	692	34,197	148,570	147,292	101%
36-37	210,879	20,842	688	22,608	147,492	146,002	101%
37-38	217,206	20,990	796		169,278	168,487	100%
38-39	223,722	22,292	768	28,175	164,163	163,211	101%
39-40	230,433	23,503	886		188,552	187,359	101%
40-41	237,346	24,298	436	114,697	98,589	94,670	104%
41-42	244,467	22,714	513	8,536	113,281	109,143	104%
42-43	251,801	23,833	551	16,287	121,377	114,867	106%
43-44	259,355	20,702	625	7,894	134,810	130,916	103%
44-45	267,135	24,619	646	19,312	140,763	136,310	103%
45-46	275,149	24,475	704	13,505	152,438	148,486	103%
46-47	283,404	28,202	388	90,296	90,732	82,639	110%
47-48	291,906	23,707	458	12,217	102,680	95,918	107%
48-49	300,663	28,917	496	19,447	112,646	102,850	110%
49-50	309,683	23,819	629		137,094	130,744	105%

Important Information

Trust Reserves would like to thank you for using our services. We invite you to call us in the next two weeks should you have questions, comments or need assistance regarding this report. In addition, any of the parameters and estimates used in this study may be changed if justifiable at your request, after which we will provide a revised study.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool per se; however, it is a tool from which some financial and accounting decisions may be made. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

We recommend and Washington State law requires (see RCW64.34 for condos, RCW 64.38 for HOAs) that your reserve study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration, and that the third year update include a site visit. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained. Therefore, annual updates that do not require a site visit can be completed quickly and inexpensively.

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, and various construction pricing and scheduling manuals which may have included: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

PART I: INFORMATION ABOUT YOUR RESERVE STUDY

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to affect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a $150,000 roofing replacement, the association may be required to pay back the loan over a three to five-year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

- Level 1: Full Reserve Study with site inspection;
- Level 2: Update with site inspection; and
- Level 3: Update without site inspection.

In a **Level 1: Full Reserve Study**, the reserve study provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimate to determine both a "fund status" and "funding plan".

In a **Level 2: Update with site inspection**, the reserve study provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In a **Level 3: Update without site inspection**, the reserve study provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

Washington State law requires most condo and home owner associations to perform a Level 1 or Level 2 study with site visit at least every three years, with a Level 3 update in the two intervening years.

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually – no matter how large the expense – and effectively can be added to annual operations budgets. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next.

Examples of ***operational expenses*** include:

Utilities: Electricity, Gas, water, telephone, cable, internet

Administrative: Supplies, bank charges, dues, licenses, permits, fees, insurance

Services: Landscaping, cleaning, elevator contract, accounting, reserve studies

Repairs: Roofing, caulking, equipment, minor concrete/asphalt, operating contingency

Reserve Expenses

These are *major* expenses that occur less frequently than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance.

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents or other occurrences that are more properly insured for, rather than reserved for, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Funding Methods

From the simplest to the most complex, reserve study providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The **cash flow method** develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The *Trust Reserves Current Assessment* funding model is based upon the cash flow method, but it simply measures the consequences of the current funding level. The *Trust Reserves Baseline Funding Plan* also uses cash flow methodology by not allowing the reserve fund balance to go below zero during the thirty-year life of the study.

The **component method** develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding

options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The *Trust Reserves Component* model is based upon component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding

Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded."

This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

- **Fully Funded Reserves** = **Age** divided by **Useful Life** multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

Cash Flow Funding Models

The *Trust Reserves Funding Model*. This method is based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection with annual increases is calculated to illustrate the adequacy of the current funding over time.

The *Trust Reserves Baseline Funding Model* (Minimum Funding**)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance. Should the Association Board require a large cushion, it can easily instruct the reserve study professional to change the minimum to a higher level.

Component Funding Model

The *Trust Reserves Component Funding Model*. This is a straight-line funding model, and it is equivalent to what Washington State Law defines as the *Full Funding Plan.* It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model." This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details

this calculation process.

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

Two Methods of Calculation

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

- Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The software program performs the above calculations to the time the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero-remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of $50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to "replenish" the account. If the $50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such

an adjustment, or by any other changes that may be under consideration.

Handling Interest While Funding Reserves

Three assessment and contribution figures are provided in the report, the "Monthly Reserve Assessment Required," the "Average Net Monthly Interest Earned" contribution, and the "Total Monthly Allocation to Reserves." The association should allocate the "Monthly Reserve Assessment Required" amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Total Monthly Allocation" to reserves (this is the member assessment plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid, the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

Users' Guide to your Reserve Analysis Study

Report Summaries

The **Report Summary** for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the "Component Funding Model" calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The **Detail Report** itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The *Trust Reserves* Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Report I.D

Includes the Report Date (example: March 15, 2012), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases

If applicable, this includes the number of units and/or phases included in this version of the report.

Inflation

This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase

This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate $10,000 in 10 years, you could set aside $1,000 per year. As an alternative, you could set aside $795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield
The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded
The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment
The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)
The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation
The sum of the monthly assessment and interest contribution figures.

Group and Category
The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs
In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date
The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

Estimated Useful Life
The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life
Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life
This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year

The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves
An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment
An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value
The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement
Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost
The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost
The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

Component Inventory
The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

From Washington State's RCW 64.34 and 64.38:

Fully funded balance
The current value of the deteriorated portion, not the total replacement value, of all the reserve components. The fully funded balance is the sum total of all reserve components' fully funded balances is the association's fully funded balance.

Baseline funding plan
A funding plan that establishes a reserve funding goal of maintaining a reserve account balance above zero dollars throughout the thirty-year study.

Full funding plan
Is a plan that sets a reserve funding goal of achieving one hundred percent fully funded reserves by the end of the thirty-year study period in which the reserve account balance equals the sum of the deteriorated portion of all reserve components.

A Multi-Purpose Tool

Your *Trust Reserves* Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments."

In addition, your *Trust Reserves* reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The Trust Reserves reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Trust Reserves Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Trust Reserves Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.
- Your Trust Reserves Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the Trust Reserves reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The Trust Reserves reserve study is an annual disclosure to the membership concerning the financial condition of the association, and it helps the association comply with many of the disclosure requirements of Washington State Law.
- The Trust Reserves reserve study may be used as a "consumers' guide" by prospective purchasers.